Japanese Carbon and Alloy Flat Products Exclusion Request

Product Category: Coated Products (#6)

(a)	Product Designation/HTS	**Electro-Galvanized Alloy Steel Product** 7225.91.00.00
(b)	Product Description	Electro-galvanized alloy steel processed through continuous annealing line meeting the following specifications : (a) containing boron of 0.0020% to 0.0035%, (b) containing carbon of 0.03% to 0.06%, (c) Rockwell hardness of 45-60, (d) thickness of 0.0138" with tolerance of +/- 0.0015"
(c)	Basis for Exclusion	See text below
(d)	Names and Location of U.S. and Foreign Producers	See Attachment A
(e)	U.S. Consumption	See Attachment B
(f)	U.S. Production	See Attachment B
(g)	Substitutible Products	See Attachment C

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Electro-galvanized alloy steel is a unique cold-rolled steel product that warrants exclusion from any 201 remedy. This product warrants exclusion because no domestic cold-rolled steel manufacturer is able to produce this product due to the proprietary nature of the fabrication process owned by NKK steel. Its unique metallurgical and physical characteristics distinguish this alloy product from other cold-rolled steels. Moreover, consumers in the United States would be unnecessarily harmed if restrictions on imports were to be imposed.

Alloying this electro-galvanized steel with boron gives it malleability and durability properties necessary for construction applications. Boron-treated steels are produced with a boron content ranging of 0.0005% to 0.003%. NKK utilizes boron because it allows NKK to use lower coiling temperatures after hot-rolling. These lower coiling temperatures and the ability of boron to quickly form boron nitride (BN) precipitates instead of aluminum nitride (AlN) allows the production of steel with improved physical and metallurgical properties. Specifically, this boron-alloy steel has more consistent ferrite grains and more uniform precipitate size, which leads to greater homogeneity of mechanical properties throughout the coil and greater surface flatness.

The difference in metallurgy and micro-structure result in very real differences in mechanical properties. The importance of this difference becomes enhanced as the steel passes through subsequent production phases. In the cold-rolling and annealing operations (subsequent to hot-rolling, but prior to addition of corrosion-resistant coatings) the uneven precipitate size of

boron-free aluminum-killed steel sheet becomes a critical fact, resulting in a product with *different mechanical properties*. The use of boron avoids the fundamental problem of unevenly-sized precipitates. Compared to aluminum nitrides, boron nitrides have more uniform size and are more coarse. These properties are neither minor nor inconsequential and are directly attributable to the boron content of the steel.

NKK manufactures these boron-alloys on a "made to order" basis. Consumers such as [ ]rely on electro-galvanized boron alloy steel in order to produce specialty items such as [ ] [ ] that requires thin-gauge galvanized steel that is capable of being formed into various shapes and angles without breaking or separating. As [ ] explains, "the malleability of the steel is the most important aspect. The steel must be sufficiently malleable so that it can be properly shaped without the machines having to exert too much pressure and without cracking."[1]

Beyond the critical malleability factor, the steel must maintain a consistent finish in order for [ ] manufacturing process of [ ] to the steel to render a perfect bond. As [ ] explains [ ][2] or other manufacturing imperfection that would cost significant resources in time and money to correct. The quality and consistency of the steel are critical to avoid manufacturing delays.

Given the importance of the performance characteristics of the input materials necessary to fabricate [ ] the firm has invested significant resources in identifying and sourcing this specialized type of cold-rolled steel to meet its manufacturing specifications. [ ] surveyed numerous domestic cold-rolled steel manufacturers and was unsuccessful in obtaining a viable product. [ ] turned to NKK in 1990 to develop a steel product that would satisfy its unique manufacturing requirements. Over time, the two firms tested various steel formulations and eventually developed a customized product. The boron-alloy product succeeded where other cold-rolled alloys failed because it ran through [ ] production equipment without the complications of other steels that were tested.

The result for [ ] is a superior [ ]. [ ] is used to provide a more stable [ ] in buildings. Since the [ ] is both shaped to meet different end use needs, and [ ] to provide better [ ] the underlying steel substrate must be both highly formable and have an extremely flat and uniform surface. Steel that does not meet these requirements makes the [ ] unworkable. Based on the better performance characteristics of the boron-alloy steel, [ ] decided to buy this product from NKK.

[ ] has tried to work with at least two domestic steel companies in order to purchase domestic steel. Neither [ ] nor [ ] was able to duplicate NKK's quality.[3] [ ] Page six of her affidavit explains in detail to what extent [ ] tried to domestically source this material.

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1 *See* Affidavit of [ ] (**Attachment D**).

2 *Id*.

3 *Id*.

Since the domestic industry has chosen or is not able to produce this product, it should be excluded from any 201 remedy, as it is not a source of injury to the domestic industry.

Attachment A

Foreign Producers

(1) NKK Corporation

- Address: 1-1-2, Marunouchi Chiyoda-ku, Tokyo 100, Japan
- Phone: 011-81-3-3217-2444
- Fax: 011-81-3-3214-8417

Domestic Producers

- No Known Domestic Producers

COATED

Electro-galvanized Alloy Steel Product

Quantity						**January - June**		**Projections**					
Company	**1996**	**1997**	**1998**	**1999**	**2000**	**YTD 2000**	**YTD 2001**	**2001**	**2002**	**2003**	**2004**	**2005**	
[	4,967	6,962	6,139	1,643	1,218	1,218	0	0	3,091	6,181	6,181	6,181	
Total	4,967	6,962	6,139	1,643	1,218	1,218	0	0	3091	6181	6181	6181	]

Value *						**January - June**		**Projections**					
Company	**1996**	**1997**	**1998**	**1999**	**2000**	**YTD 2000**	**YTD 2001**	**2001**	**2002**	**2003**	**2004**	**2005**	
[	3,099,947	4,397,055	3,788,304	921,555	683,674	683,674	0	N/A	N/A	N/A	N/A	N/A	
Total	3,099,947	4,397,055	3,788,304	921,555	683,674	683,674	0	N/A	N/A	N/A	N/A	N/A	]
U.S. Production	0	0	0	0	0	0	0	0	0	0	0	0	
Imports from Other Countries	0	0	0	0	0	0	0	0	0	0	0	0	
Total U.S. Consumption													
[Quantity	4,967	6,962	6,139	1,643	1,218	1,218	0	0	3,091	6,181	6,181	6,181	]
[Value	3,099,947	4,397,055	3,788,304	921,555	683,674	683,674	0	N/A	N/A	N/A	N/A	N/A	]

Attachment C

Known Substitutable Products: None

U.S. Production: None

U.S. Producers: None

NOT CAPABLE OF SUMMARY